

## Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 111003

15

ORIGIN EUR-02

INFO OCT-01 EA-02 ADP-00 /005 R

66665

DRAFTED BY:EUR:IB:TGMARTIN

APPROVED BY:EUR:IB:ELLWOOD RABENOLD

----- 084988

R 140038Z JUL 73

FM SECSTATE WASHDC

TO AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE STATE 011003

FOLLOWING SENT ACTION ALL AFRICAN DIPLOMATIC POSTS, LISBON,  
LOURENCO MARQUES, LUANDA JANUARY 20, 1973 FROM SECSTATE  
WASHDC IS REPEATED TO YOU: QUOTE

LIMITED OFFICIAL USE STATE 011003

SUBJECT: GUIDANCE ON US ASSISTANT TO PORTUGAL IN  
CONNECTION WITH AZORES AGREEMENT EXTENSION

REF: (A) STATE 225197, (B) CA 4327 OF AUG. 14, 1970

1. CRITICS OF USG POLICY TOWARD PORTUGAL HAVE CHARGED  
THAT IN EXCHANGE FOR DEC. 9, 1971, EXTENSION OF AZORES  
AGREEMENT, THE US HAS AGREED TO PROVIDE HEAVY MILITARY  
OR GRANT ASSISTANCE THROUGH EXPORT-IMPORT BANK AND OTHER  
FACILITIES. A GLOBAL FIGURE OF DOLS 436 MILLION IS OFTEN  
CITED FOR THIS, ACCOMPANIED BY CLAIM THAT US WILL BE  
GIVING PORTUGAL MORE THAN IT GIVES TO ALL AFRICAN  
COUNTRIES TOGETHER. FOLLOWING OUR EARLIER GUIDANCE  
(REF A), DEPT WISHES ENSURE THAT POSTS ARE FULLY AWARE  
THAT NONE RPT NONE OF THE COMMITMENT IS FOR ANY KIND OF  
MILITARY ASSISTANCE, ONLY A SMALL FRACTION IS IN GRANT  
AID, AND NONE OF ASSISTANCE IS TO BE USED IN PORTUGUESE  
AFRICA. THE FACTS OF THE AGREEMENT ARE ANALYZED BELOW.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 111003

2. THE ITEM WHICH HAS ATTRACTED PRIMARY ATTENTION HAS

BEEN THE DOLS 400 MILLION EX-IM FIGURE. THIS MERELY REPRESENTS OVERALL VALUE OF SPECIFIC DEVELOPMENT PROJECTS IN METROPOLITAN PORTUGAL FOR WHICH USG HAS INDICATED ITS WILLINGNESS IN PRINCIPLE TO PROVIDE EX-IM BANK FACILITIES. EX-IM WILL CONSIDER ANY OF THESE PROJECTS SUBMITTED BY PORTUGAL IN ACCORDANCE WITH BANK'S "USUAL LOAN CRITERIA AND PRACTICES". IN FACT EVEN WITHOUT AZORES AGREEMENT, EX-IM SUPPORT WOULD BE AVAILABLE TO US EXPORTERS IN ORDER TO ENHANCE THEIR COMPETITIVE POSITION IN BIDDING ON THESE PROJECTS. THE DOLS 400 MILLION FIGURE, THEREFORE, DOES NOT REPRESENT A SPECIFIC AID PACKAGE, BUT RATHER TOTAL VALUE OF DEVELOPMENT PROJECTS WHICH PORTUGUESE HAVE UNDER CONSIDERATION.

3. FROM PRACTICAL STANDPOINT IT IS QUESTIONABLE HOW MUCH OF THE CREDITS PORTUGAL WILL WANT TO USE IN BUYING FROM US. EVEN THOUGH EX-IM CREDITS HAVE BEEN ROUTINELY AVAILABLE TO PORTUGAL, OUTSTANDING EX-IM CREDITS TO THAT COUNTRY TOTAL ONLY DOLS 90 MILLION. IN FACT, US SHARE OF PORTUGAL'S IMPORT MARKET IS LOWER THAN FOR ANY OTHER WESTERN EUROPEAN COUNTRY. MOREOVER, PORTUGUESE PRIME MINISTER CAETANO STATED PUBLICLY, FOLLOWING EXTENSION OF AZORES AGREEMENT, THAT HE WOULD MAKE USE OF US CREDITS ONLY WHEN IT IS USEFUL AND SUITABLE FOR PORTUGAL. HE INDICATED HE DID NOT WISH TO MORTGAGE PORTUGAL'S FUTURE TO ANY PARTICULAR FOREIGN COUNTRY. PORTUGAL HAS AN EXCELLENT INTERNATIONAL CREDIT RATING, AND ITS FOREIGN CURRENCY RESERVES HAVE STEADILY RISEN TO THEIR CURRENT ALL-TIME HIGH OF DOLS 1.6 BILLION.

4. WE ALSO HAVE OFFERED PORTUGAL A TWO-YEAR PL-480 PROGRAM IN AMOUNT OF DOLS 15 MILLION PER YEAR. LIKE EX-IM CREDIT, PL-480 PROGRAM PROVIDES LOANS FOR THE PURCHASE OF US GOODS (IN THIS CASE AGRICULTURAL COMMODITIES) BY PORTUGAL.

5. ONLY ITEMS OF DIRECT GRANT AID FOR PORTUGAL ARE FOLLOWING:

A. USE OF OCEANOGRAPHIC SHIP WHICH IS BEING LOANED LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 111003

ON NO-COST BASIS;

B. DOLS 1 MILLION FOR EDUCATIONAL DEVELOPMENT PROJECTS;

C. DOLS 5 MILLION WORTH OF NON-MILITARY EXCESS EQUIPMENT. THE EXCESS EQUIPMENT WILL BE CALCULATED AT ACQUISITION COST--WHAT IS COST USG WHEN NEW-NOT CURRENT VALUE.

THIS LIMITED AMOUNT OF GRANT AID MAY BE COVMPARED WITH  
THE DOLS 61.6 MILLION IN GRANT ASSITANCE FOR AFRICA IN  
1971.

6. WE BELIEVE THAT IF CRITICS OF USG ASSISTANCE TO  
PORTUGAL ARE ANSWERED IN THIS DIRECT MANNER, THEIR  
CRITICISM WILL BE SHOWN TO BE WITHOUT FOUNDATION.

7. FOR US POLICY ON MILITARY ASSISTANCE TO PORTUGAL,  
SEE REF B.

EXEMPT. ROGERS UNQUOTE RUSH

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 JUL 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973STATE111003  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** EUR:IB:TGMARTIN  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730733/aaaaaybv.tel  
**Line Count:** 127  
**Locator:** TEXT ON-LINE  
**Office:** ORIGIN EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 (A) STATE 225197, (B) CA 4327 OF, AUG. 14, 1970  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 SEP 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20-Sep-2001 by freemaal>; APPROVED <29-Oct-2001 by morefirh>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GUIDANCE ON US ASSISTANT TO PORTUGAL IN CONNECTION WITH AZORES AGREEMENT EXTENSION  
**TAGS:** PFOR, PO, US  
**To:** WELLINGTON  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005